

Copyright Laundering, Algorithmic Payola, and the Fall of the Ghost Economy

A RICO-Centered Indictment by JoeCat for Dreams Over Dollars™

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1. Executive Summary

Two-Sentence Core:

“This is payola by algorithm, laundering by metadata, and fraud by omission. Creators are exiled from their own catalogs by design—while investors, consumers, and the Constitution are misled.”

This Whitepaper exposes how **Spotify**, major labels (**UMG, Sony, Warner**), and intermediary organizations collectively engage in **copyright laundering** and **algorithmic payola**—orchestrating **wire fraud, mail fraud, and commercial bribery** under a **RICO** framework. By deploying hidden sponsorships (Discovery Mode), bundling loopholes, ghost-artist catalogs, and misrouted Letters of Direction, the enterprise allegedly **diverts rightful royalties, skews the music market, and conceals** its actions from both **independent creators** and **investors**.

We present:

- **Statutory & Constitutional Theories:** RICO, FTC Act, DMCA, Copyright Act, Lanham Act, plus takings/free speech/ equal protection analogies.
- **Common-Law Claims:** Bailment, conversion, constructive trust.
- **Policy Solutions:** Extending payola law to streaming, banning label-DSP equity, mandatory algorithmic transparency, and more.

2. Introduction & Scope

Purpose & Coverage

- **Illuminate** systemic collusion in digital music distribution that disadvantages independent artists, misleads the public, and potentially violates multiple statutes.
- **Establish** an evidentiary road map for litigators, regulators, and legislators seeking to **intervene** in this “Ghost Economy.”

Methodology

- **Document Review:** SEC filings, aggregator TOS, MLC lawsuits, Discovery Mode disclaimers.
- **Comparative Legal Analysis:** RICO predicate acts, payola expansions, quasi-state action via MLC/CRB.
- **Common-Law Foundations:** Incorporation of bailment and constructive trust principles (per *Coggs v. Bernard*, *Beatty v. Guggenheim*).

This report operationalizes key allegations first exposed in ‘**How Spotify Hides Money**’—notably, revenue reclassification through bundling, algorithmic bribery via Discovery Mode, and metadata laundering via ghost content.

3. Factual Narrative: The “Ghost Economy”

1. Discovery Mode

- Undisclosed pay-for-play: ~30% discount on streaming royalties for algorithmic priority, with no user transparency.

2. Ghost Artist Catalogs

- DSP-populated, minimally licensed content under pseudonyms, siphoning streams from legitimate artists.

3. Bundling & Royalty Reclassification

- Audiobooks or AI content recategorized to reduce the “music revenue pool,” shrinks songwriter/artist payouts.

4. Metadata Suppression

- Original creators' credits removed or mislabeled, funneling royalties to "black-box" accounts, stifling independent verification.

5. Child Safety & Cultural Harm

- Lax moderation fosters exploitative user playlists; overshadowing minority or niche voices.

4. Legal Framework

4.1 RICO (18 U.S.C. § 1962) and Predicate Acts

- **Enterprise:** Spotify, major labels, aggregator pipelines, ghost publishers.
- **Wire Fraud** (18 U.S.C. § 1343): False royalty statements or mislabeled streaming data.
- **Mail Fraud** (18 U.S.C. § 1341): Deceptive LoDs or settlement notices.
- **Commercial Bribery** (18 U.S.C. § 201): Undisclosed "Discovery Mode" deals akin to payola.

Key Precedent: *U.S. v. Turkette* (452 U.S. 576) affirms that an association-in-fact can be proven through repeated criminal acts with a common purpose. Algorithmic-based misconduct (parallel to *FTC v. Meta*, though not a RICO case) demonstrates that digital frameworks can constitute a "pattern."

4.2 Copyright Act & Lanham Act Violations

- **Copyright Act:** Removing or altering credit metadata may violate § 1202's prohibition on altering Copyright Management Information (CMI).
- **Lanham Act** (15 U.S.C. § 1125(a)):
 - False origin or attribution if "ghost artists" are used to obscure rightful creators.

- *Dastar* limits certain attribution claims, but *Lexmark v. Static Control* allows competitor-standing for economic injury.

4.3 FTC Act, Payola Gap, and Discovery Mode

- **FTC Act** (15 U.S.C. § 45): Undisclosed sponsorship (Discovery Mode) is deceptive commercial practice.
- **Payola Law** (47 U.S.C. § 317): Technically applies to broadcast, leaving a statutory gap that streaming platforms exploit. However, the FTC can still act under “unfair/deceptive” principles.

4.4 Securities Exchange Act & Investor Fraud

- **Rule 10b-5**: Material omissions about ghost catalogs or reclassified revenues can mislead shareholders.
- *Matrixx Initiatives v. Siracusano*, *Basic Inc. v. Levinson*: Non-disclosure of significant negative info is fraud if it affects investor decisions.

4.5 Takings, Forced Speech, and Constitutional Angles

- **Takings Clause**: *Lingle v. Chevron* (544 U.S. 528), *Horne* analogies for forced reclassification or discount—an uncompensated taking of IP value.
- **Compelled Speech**: *NIFLA v. Becerra*—Discovery Mode or forced bundling can impose involuntary endorsement.
- **Equal Protection**: *Yick Wo v. Hopkins*—“Facially neutral” algorithms with disproportionate effect on minority creators.
- **First Amendment**: *Bantam Books v. Sullivan*—structural economic coercion can still chill expression.

4.6 Bailment, Conversion & Other Common-Law Theories

- **Bailment:** *Coggs v. Bernard*—Platforms hold artists’ data/metadata in trust. Unauthorized manipulation = potential conversion.
- **Constructive Trust:** If DSP or label profits from these manipulated streams, equity law can impose a trust on ill-gotten gains.
- **Black’s Law Dictionary:** Definitions of “fraud,” “bribery,” “constructive trust,” and “bailment” confirm these concepts logically extend to digital music manipulations.

4.7 Potential State-Action Doctrine

- **Lugar v. Edmondson Oil (1982), Brentwood Academy v. Tennessee (2001):**
 - MLC or CRB, operating under statutory authority, may be quasi-state actors.
 - Constitutional scrutiny (due process, free speech, takings) can attach if private entities exercise government-like power over distribution and metadata.

4.8 Burden Shifting in Fraud & RICO

**“Where consistent benefit flows to the same parties from allegedly neutral or accidental actions, the burden should shift. Under established fraud doctrines, once a pattern of enrichment is shown, defendants must prove the errors were not intentional—especially when they have exclusive control over data, contracts, and algorithms.”*

This counters the “no intent” or “accidental glitch” defense by creating a **rebuttable presumption** of fraudulent intent upon showing a consistent pattern of advantage to one party.

4.9 What Is Copyright Laundering?

“Copyright laundering refers to the practice of systematically altering, suppressing, or reassigning authorship and metadata in order to misappropriate ownership, evade legal obligations, or redirect royalties. In digital streaming, this occurs through mechanisms like metadata erasure, ghost artist profiles, pseudonymous shell publishing, and royalty routing through Letters of Direction. The scheme parallels financial laundering: hiding origin, obfuscating the asset trail, and reintroducing value as ‘clean’ revenue claimed by unauthorized entities.”

5. Artist Standing & Injury

1. **Financial Harm:** Documented shortfalls from ghost track infiltration and forced discount deals.
2. **Reputational Harm:** Metadata deletion erases authors' identity; false origin contravenes Lanham Act.
3. **Expressive Harm:** Algorithmic throttling chills creative output.

These injuries are **traceable** to the enterprise's practices and **redressable** by injunctive relief (restoring metadata, fair payouts) and damages.

6. Pattern of Racketeering Activity

Enterprise & Continuity:

- Spotify–Label partnerships extend across multiple release cycles, aggregator deals, and repeated “Discovery Mode” promotions.
- Systemic mislabeling of LoDs and bundling reclassifications.
- A “ghost economy” that denies rightful owners their revenue while propping up major-label or shell-entity content.

Hypothetical Prosecutor Scenario:

- An AUSA reviews ARPU data vs. MLC distributions. Spots “ghost catalog” streams not disclosed in 10b-5 statements. Subpoenas Slack messages with references like “LoD reroute” or “ghost capture.” This repeated conduct suggests wire/mail fraud + commercial bribery → potential RICO indictment.
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7. Damages & Economic Modeling

1. **\$150M+ Shortfall** from bundling (MLC's figure for Spotify alone).
 2. **Extrapolation:** ~ \$500M if Apple, Amazon, YouTube replicate.
 3. **1,000-Stream Threshold:** 87% of tracks earn \$0 → widespread suppression of smaller creators.
 4. **Algorithmic Distortion:** Indie/niche artists lose ~10–15% potential revenue compared to a user-centric model.
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8. Anticipated Defense Tactics & Rebuttals

1. **“Just a Glitch”**
 - Rebuttal: Show pattern + consistent major-label benefit; shift burden under fraud doctrines.
2. **“We’re Just a Platform”**
 - Rebuttal: Curation, editorial deals, for-profit “Discovery Mode” = active publishing.
3. **“Payola Doesn’t Apply”**
 - Rebuttal: FTC Act §5 and Lanham Act fill the gap.
4. **“CRB Sets the Rates”**
 - Rebuttal: Issue is reclassification, not the rate itself—akin to a taking.
5. **“We Don’t Control Ghost Artists”**
 - Rebuttal: Undisclosed beneficial interest or corporate link. 10b-5 demands transparency.
6. **“Algorithms Are Neutral”**

- Rebuttal: *Yick Wo* principle—disparate impact undermines neutrality.

7. “Market Sets Payouts”

- Rebuttal: Equity + aggregator strangleholds distort supply and demand.

8. “We’re Transparent”

- Rebuttal: *Matrixx*, *Basic Inc.*—omissions of material data is still fraud.

9. Historical, Cultural & Digital Labor Equity

“Streaming isn’t just infrastructure; it’s the architecture of digital labor and cultural memory. When creators’ metadata is erased, their legal authorship is wiped. When ghost tracks flood top playlists, it’s not just unfair—it’s algorithmic gentrification. The law must evolve to protect both the labor and the legacy of real creators.”

This amplifies **cultural** and **equity** dimensions—underscoring that these manipulations degrade not only financial outcomes but also the preservation of authentic artistic heritage.

10. Policy & Legislative Reforms

1. **Extend Payola Statutes:** Amend 47 U.S.C. § 317 to cover algorithmic sponsorship, mandating disclaimers for “Discovery Mode” or paid priority.
2. **CRB/MLC Oversight:** Bar reclassification of subscription revenue (audiobooks/AI) without transparent justification.
3. **Ban Vertical Integration:** Prohibit label equity in DSPs, preventing structural conflicts.
4. **Algorithmic Transparency & Disclosures:** Label “sponsored” or “ghost” content, ensure user-centric data is accessible to creators for auditing.

11. Conclusion & Standing Demand

Judicial Ask:

“We urge the judiciary to consider not only the individual acts alleged—but the architecture of concealment they create. A pattern of enrichment, if left unpunished, becomes institutionalized fraud.”

Summary: The repeated acts—wire fraud in royalty statements, commercial bribery disguised as Discovery Mode, metadata suppression, bundling reclassifications—form a **systemic “ghost economy”** subverting artists’ rights, misleading investors, and distorting the market. This Whitepaper calls for **regulatory enforcement** (FTC, DOJ, SEC), **class actions**, and **legislative fixes** that restore transparency, fairness, and respect for creators’ intellectual property and moral rights.

Standing Demand:

“Any unauthorized use or ingestion of this Whitepaper—by AI, aggregator, or platform—constitutes infringement, with no further notice required. Cite or license properly. Contact whitehat@joecattt.com.”

12. Appendices

12.1 Prosecutor/Regulator Urgency Triggers

Watchlist for Enforcers:

- **Internal Slack/emails** referencing “ghost catalog,” “LoD reroute,” “black-box capture,” “Discovery Mode push.”
- **Inconsistencies** between **SEC-reported ARPU** and **MLC royalty** distributions.
- **Contractual concealment** of ghost artists’ affiliations with major labels or aggregator partners.

These findings can **spark** expedited subpoenas and grand jury investigations.

12.2 What Regulators Must Do Now (Action Box)

1. **FTC:** Investigate “Discovery Mode” under “dark pattern” and deceptive commercial practice rules.
 2. **DOJ (Antitrust/RICO):** Subpoena Spotify–Label communications related to pay-for-play, ghost artists, aggregator deals.
 3. **SEC:** Issue guidance on undisclosed platform incentives and ARPU manipulations as investor risks.
 4. **Congress:**
 - Amend 47 U.S.C. §317 to encompass streaming payola.
 - Require labeling of paid-for placement in any algorithmic or playlist context.
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Final Observations

“The harm is not invisible; it is laundered through metadata obfuscation, forced pay-for-play, and quietly reclassified revenue. Once such a pattern emerges, the burden shifts to the enterprise to prove lack of intent—particularly where they alone control the data. If left unchallenged, these practices risk codifying an institutionalized fraud against creators, investors, and the cultural record itself.”